

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1813-07  
Bill No.: HCS for SS for SB 360  
Subject: Bonds - General Obligation and Revenue; Cities, Towns, and Villages; Counties;  
Eminent Domain and Condemnation  
Type: Original  
Date: May 2, 2011

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Bill Summary: This proposal creates a county drinking water supply lake authority in Sullivan County.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Blind Pension Fund	\$0	\$0 to (\$20,143)	\$0 to (\$20,143)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 to (\$20,143)</b>	<b>\$0 to (\$20,143)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Local Government</b>	<b>\$0</b>	<b>\$0 to (\$4,028,600)</b>	<b>\$0 to (\$4,028,600)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Parkway School District, County of St. Louis, Department of Economic Development, Office of Public Counsel, Public Service Commission, Department of Natural Resources, Department of Conservation, Department of Revenue** and the **Department of Transportation** assume that there is no fiscal impact from this proposal.

#### Sections 135.950, 135.953, 135.963

Officials at the **Office of Administration, Division of Budget and Planning (BAP)** state this proposal creates "renewable energy generation zones" within the enhanced enterprise zone program. However, the authorization cap on the program remains \$24million. DED previously reported that \$17 million was authorized under this program in FY10, but also projected \$24million in authorizations in FY11. To the extent this proposal increases the authorizations under this program, general and total state revenues may be reduced. This proposal may encourage other economic activity. BAP cannot estimate the induced revenues.

**Oversight** assumes that that enhanced enterprise zone tax credit program has a cap of \$24 million. This proposal expands the projects that are eligible for the tax credit but will not result in an increase in the number of credits being issued due to the cap.

#### Section 137.016

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume there would be no added cost to their organization as a result of this proposal.

This proposal would reclassify sawmills and planing mills as agricultural property instead of commercial property. This change would lower the assessed valuation on these properties from 32% to 12% of total value.

According the US Census Bureau, County Business Patterns, there were 201 sawmills in Missouri in 2008, for a total of 0.13% of all firms.

BAP has no data on the value of sawmill properties. However, BAP notes that sawmills are a very small percentage of firms, and therefore of commercial property in Missouri. If levies remain unchanged, this proposal could lower local government and Blind Pension Fund revenues.

ASSUMPTION (continued)

In response to a similar proposal from this session (SB 55, 329-02), officials from the **Office of the State Auditor** assumed this proposal would have no fiscal impact on their organizations.

In response to a similar proposal from this session (SB 55, 329-02), officials from the **Department of Elementary and Secondary Education** (DESE) stated that this proposal would include saw mills and planing mills as agricultural property. DESE officials assume they are currently assessed as industrial and commercial, and this being the case there would be a reduction in the amount of property taxes paid by the owners of these mills since agriculture is assessed at 12% and commercial and industrial at 33.3%. This could have a negative fiscal impact on schools and other taxing authorities but it would be impossible to calculate.

In response to a similar proposal from this session (SB 55, 329-02), officials from the **State Tax Commission** assumed this proposal would have no fiscal impact on their organization but could reduce local government revenues.

In response to a similar proposal from this session (SB 55, 329-02), officials from the **City of Raytown** stated that there is no fiscal impact to their organization that they could easily identify as a result of this proposal.

In response to a similar proposal from this session (SB 55, 329-02), officials from the **Saint Louis Public School District** assumed that this proposal would have very little fiscal impact on their organization.

In response to a similar proposal in the previous session (HCS/HB 1204, LR 3244-02, 2010) officials from the **Department of Conservation** provided information which indicated there are approximately 450 sawmills in Missouri with an aggregate value of \$327 million.

**Oversight** is not able to determine the current appraised or assessed valuation for these properties and will use the information provided by MDC. Oversight has calculated an estimated maximum fiscal impact for the implementation of this proposal as follows.

- A. Assessed valuation of sawmills at current 32% ratio -  
 $(\$327,000,000 \times .32) = \$104,640,000.$
- B. Assessed valuation of sawmills at proposed 12% ratio -  
 $(\$327,000,000 \times .12) = \$39,240,000.$

ASSUMPTION (continued)

- C. Reduction of assessed valuation -  
 $(\$104,640,000 - \$39,240,000) = \$65,400,000.$
- D. Reduction of local government tax revenue -  
 $(\$65,400,000 / \$100 \times \$6.16 \text{ per } \$100 \text{ average tax rate}) = \$4,028,600.$

**Oversight** notes that the maximum calculated impact would occur only if local governments are unable to increase their tax levy rate to recover the loss of assessed valuation associated with the reclassification of these properties from commercial to agricultural. If local governments are able to increase their tax levy rate to recover those losses, this proposal would likely shift the property tax burden from sawmill owners to other commercial property owners, and to agricultural and residential property owners.

**Oversight** has reviewed the available information as to current levies and maximum authorized levies, and noted that certain local governments would have the ability to increase their levy rates beyond their current level. Oversight does not have any information as to which local governments would have sawmills or planing mills, nor do we have the information that would be required to determine which local governments would be able to increase their levy rates to recover the loss of assessed valuation associated with the change in classification of the sawmills and planing mills. For the purposes of this fiscal note, Oversight will indicate a range of fiscal impact from \$0 to the maximum calculated impact of \$4,028,600.

**Oversight** assumes that revenue for the Blind Pension Fund would be reduced by about one-half of one percent of the reduction in local government revenues, or a range from \$0 to \$20,143.

Finally, Oversight assumes this proposal would become effective in August 2011 after the completion of 2011 assessments and would become effective for 2012 assessments, resulting in a loss of revenue starting with FY 2013.

Section 226.224

In response to a similar proposal from this session (HB 1008, 2121-01), officials from the **City of Kansas City** assumed this proposal could have a negative fiscal impact on the City but such impact is impossible to quantify.

**Oversight**, because this proposal is permissive, will show fiscal impact to local governments to be zero.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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**BLIND PENSION FUND**

<u>Revenue reduction</u> - change in classification of properties (§137.016)	<u>\$0</u>	<u>\$0 to (\$20,143)</u>	<u>\$0 to (\$20,143)</u>
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<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 to (\$20,143)</u></b>	<b><u>\$0 to (\$20,143)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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**LOCAL GOVERNMENTS**

<u>Revenue reduction</u> - change in classification of properties (§137.016)	<u>\$0</u>	<u>\$0 to (\$4,028,600)</u>	<u>\$0 to (\$4,028,600)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>\$0 to (\$4,028,600)</u></b>	<b><u>\$0 to (\$4,028,600)</u></b>
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FISCAL IMPACT - Small Business

Section 137.016

This proposal would have a direct fiscal impact to small businesses which own or operate sawmills or planing mills.

Sections 135.950, 135.953, 135.963

Small businesses located in a renewable energy generation zone could be affected by this proposal.

KG:LR:OD

## FISCAL DESCRIPTION

### Section 137.016

This proposal would change the assessment classification of sawmills and planing mills from commercial to agricultural, and reduce the assessed value of those properties from thirty-two percent of appraised value to twelve percent of appraised value.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

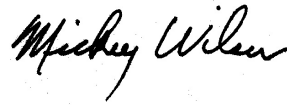
## SOURCES OF INFORMATION

Department of Economic Development  
Office of Public Counsel  
Public Service Commission  
Department of Natural Resources  
Department of Conservation  
Department of Revenue  
Office of Administration  
Division of Budget and Planning  
Office of the State Auditor  
Department of Elementary and Secondary Education  
Department of Transportation  
St. Louis Public School District  
State Tax Commission  
Parkway School District  
County of St. Louis  
City of Kansas City  
City of Raytown

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NOT RESPONDING

Department of Labor and Industrial Relations  
Office of Attorney General

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
May 2, 2011

KG:LR:OD